

**Media Release:**

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## **FEDERAL, STATE REGULATORS SHUT DOWN NATION'S LARGEST VIATICAL SETTLEMENT COMPANY**

CONTACT: Bob Lotane, OIR - (850) 413-2515  
Tami Torres, DFS - (850) 413-2842

INQUIRIES REGARDING MUTUAL BENEFITS CORPORATION SHOULD BE DIRECTED TO  
THE RECEIVER, MR. ROBERTO MARTINEZ, AT (305) 577-1099 OR  
<http://www.mbcreceiver.com>.

TALLAHASSEE- Federal and state regulators today stepped in to shut down and suspend the license of the nation's largest viatical settlement company, Mutual Benefits Corporation, for violations of Florida and federal laws involving securities violations, fraud and misrepresentation.

The action follows lengthy investigations by the Florida Office of Insurance Regulation (OIR) and the Securities and Exchange Commission (SEC). OIR issued an order immediately suspending Mutual Benefits' license to act as a viatical settlement provider in Florida. Additionally, the U.S. District Court, for the Southern District of Florida, authorized the SEC to seize the assets of the Ft. Lauderdale-based company and place it in federal receivership.

Also today, the Office of Statewide Prosecution has charged the company with racketeering and 15 counts of investor fraud based on an investigation by the Division of Insurance Fraud, housed in the Department of Financial Services.

Mutual Benefits has raised more than \$600 million through the sale of discounted life insurance policies. These policies are generally purchased from terminally ill policyholders at less than face value.

"This company has shown a flagrant disregard of this office, the laws of this state and for its investors," said Kevin McCarty, director of the OIR. "The dangers posed by letting it continue to operate are grave and I needed to act immediately to salvage what we can for Mutual Benefits' investors and creditors. Buying their way out of trouble is not an option." McCarty also praised the work of the SEC in the case.

OIR's investigation revealed that Mutual Benefits did not escrow adequate funds to pay future policy premiums, did not honor contractual obligations, issued improper viatical settlement contracts, used unlicensed sales agents, failed to adequately disclose information to investors, and dealt in fraudulently obtained policies. The exam looked at Mutual Benefits' operations for the period of January 1, 1999, to March 31, 2003.

A review by an independent certified public accounting firm, hired by OIR, found that Mutual Benefits' premium escrow account for approximately 6,000 policies is dangerously under funded, with an estimated deficit of \$3.4 million by September 2004. The accounting firm also determined that 74 percent of Mutual Benefits' 7,368 active policies are carrying a zero or negative balance.

OIR investigators also discovered that Mutual Benefits had transferred a total of \$7.6 million between accounts to cover premiums. McCarty said, "This is a glorified Ponzi scheme." Mutual Benefits is currently a defendant in various federal and state actions brought by investors, beneficiaries and viators (those who sell their policies at a discount).

Florida Chief Financial Officer Tom Gallagher, who oversees the Florida Department of Financial Services (DFS) which houses the Office of Insurance Regulation (OIR) and Office of Financial Regulation (OFR), expressed his concern for Mutual Benefits' investors and voiced his disappointment with recent legislative action to strip enforcement tools from state regulators, including DFS and OFR, who help oversee the viatical industry.

"We are fortunate to have partnered with federal regulators to step in and help us save what is left for investors, many of whom invested their life savings," said Gallagher, who warned state lawmakers against easing regulations on the viatical industry. "But federal intervention is not always available and I would hope in light of today's action against Mutual Benefits that state lawmakers would strengthen the laws that protect investors, not weaken them."

Any investor inquiries should be directed to the receiver for MBC, Roberto Martinez, at (305) 577-1099.